



TURNER BROADCASTING SYSTEM, INC.
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March 15, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: MM Docket No. 92-265: Report of Ex Parte Meeting

Dear Ms. Searcy:

On behalf of Turner Broadcasting System, Inc. ("TBS"), I met today, along with Peggy Binzel, with Robert Pepper to discuss the data and arguments raised in the comments filed by TBS in the above-referenced docket. In addition to the data already provided in TBS's comments, we submitted to Robert Pepper the attached document.

This letter and the attached copy are furnished for inclusion in the public record in compliance with Section 1.206(a)(2) of the Commission's rules. Please contact me if you have any questions.

Sincerely,


Bertram W. Carp

cc: Robert Pepper

CABLE VOLUME DISCOUNTS

Implementing the program access section of the Cable Act in a way which would void existing cable contracts with programmers by entitling all cable operators to our lowest-negotiated cable price is unnecessary and, in fact, runs counter to the intent of the section -- to spur competition to cable. This is true

like TNT and CNN per viewer delivered because cable networks are available only in 62% of television households while the broadcast networks are virtually ubiquitous.

Generally, advertisers who choose television do so because they are looking for mass reach. Therefore, they are willing to pay disproportionately more for larger audiences. As a result, signing up a cable system with several million subscribers not only adds a large chunk of subscriber revenues in one swoop but also greatly increases the attractiveness of a cable network to advertisers. In addition, a large cable system can provide promotion and other advantages to a cable programmers which small operators cannot or will not.

The Cable Act provides the FCC flexibility to uphold standard cable volume discounts because programmers are not prohibited from establishing different prices to take into account economies of scale or other "direct and legitimate economic benefits" attributable to the number of subscribers served by a distributor.

Upholding standard cable volume discounts is justifiable both on economic grounds as stated above and because it reflects the practice of non-vertically integrated programmers as well as vertically-integrated programmers. Not doing so will place in jeopardy the major asset of most cable programmers -- their lawfully-negotiated cable contracts.

AFFILIATE LICENSE FEES: MORE EQUAL THAN PERCEIVED

A notion is widely held--especially among erstwhile cable competitors such as DBS--that large HSOs obtain huge volume discounts off affiliate rate cards. Some volume discounting exists, but it certainly isn't universal. Over the last four years, the "average" network monthly license fee has been about 30% below the rate card top. Our analysis--comparing average license fees (obtained by dividing total network fees by average subs) and top-of-rate card--identified a significant group of networks that apparently have egalitarian pricing. These include TNT, ESPN, CNBC and BET. The most frequently discounted networks are startups (such as Comedy Central) and "network families"--notably, the MTV Networks group (MTV, Nick & VH-1), where affiliates get breaks for carrying more than one service.

AVERAGE VS. RATE CARD MONTHLY LICENSE FEE ANALYSIS

	License Fee Revenue				Average Fee-Paying Subs ^a				Weighted Average License Fee/Sub/No.				Top-of-Rate Card License Fee/Sub/No.				Weighted Average as % of Top-of-Rate Card			
	1989	1990	1991	1992	1989	1990	1991	1992	1989	1990	1991	1992	1989	1990	1991	1992	1989	1990	1991	1992
	(mil.)	(mil.)	(mil.)	(mil.)	-----millions-----															
TNT	\$ 55.1	\$169.0	\$231.9	\$250.5	31.6	40.1	53.6	57.7	\$0.15	\$0.35	\$0.36	\$0.36	\$0.15	\$0.35	\$0.37	\$0.40	97X	100X	97X	90X
ESPN	170.0	210.0	224.7	233.7	47.2	50.5	52.4	54.1	0.30	0.35	0.36	0.36	0.32	0.35	0.38	0.40	94	99	94	90
CNBC	7.0	14.0	29.0	39.6	11.9	15.2	27.9	37.2	0.03	0.08	0.09	0.09	0.07	0.08	0.09	0.10	70	96	96	89
BET	5.6	12.7	20.6	24.3	21.2	24.8	27.8	29.3	0.02	0.04	0.06	0.07	0.05	0.06	0.07	0.08	44	71	88	87
TLC	4.6	6.2	9.1	11.4	9.5	11.2	13.2	15.7	0.04	0.05	0.06	0.06	0.05	0.06	0.07	0.07	81	77	82	86
CNN ^b	130.0	147.6	170.4	184.0	46.4	49.8	52.1	54.1	0.23	0.25	0.27	0.28	0.30	0.32	0.33	0.35	78	77	83	81
TDC	28.0	32.0	44.0	49.3	40.4	45.1	49.3	51.4	0.06	0.06	0.07	0.08	0.06	0.07	0.08	0.11	96	84	93	73
USA	74.0	102.0	108.1	113.5	43.6	47.2	50.0	52.8	0.14	0.18	0.18	0.18	0.18	0.23	0.24	0.25	79	78	75	72
COURT	---	---	2.1	7.2	---	---	5.1	7.0	---	---	0.03	0.09	0.00	0.00	0.13	0.13	--	--	26	66
A&E	36.0	45.0	50.0	54.0	35.9	41.2	45.4	47.8	0.08	0.09	0.09	0.09	0.11	0.12	0.13	0.15	76	76	71	63
FAM	22.6	26.9	42.9	48.9	41.3	44.9	47.6	50.0	0.05	0.05	0.08	0.08	0.08	0.08	0.11	0.13	57	62	68	63
LIVE	28.0	38.0	46.4	49.6	39.6	44.0	46.9	48.9	0.06	0.07	0.08	0.08	0.11	0.12	0.13	0.14	54	60	63	60
NICK ^c	56.0	68.0	74.1	78.5	42.5	46.4	49.1	51.2	0.11	0.12	0.13	0.13	0.22	0.24	0.25	0.26	50	51	50	49
COM	---	---	11.7	17.0	---	---	20.0	22.6	---	---	0.05	0.06	---	---	0.13	0.13	--	--	38	48
TNN	40.0	54.8	60.8	67.4	41.1	45.1	47.6	49.1	0.08	0.10	0.11	0.11	0.15	0.20	0.20	0.25	34	51	53	46
MTV ^d	46.0	58.0	62.6	66.4	42.3	46.0	48.5	50.3	0.09	0.10	0.11	0.11	0.22	0.22	0.24	0.25	41	48	45	44
TWC ^e	17.0	20.0	21.3	22.4	35.9	40.2	43.9	46.7	0.04	0.04	0.04	0.04	0.09	0.09	0.10	0.10	46	49	41	40
CHT	0.8	1.5	1.8	2.2	8.4	10.1	12.2	15.2	0.01	0.01	0.01	0.01	0.03	0.05	0.08	0.08	26	25	15	15
VH1 ^f	0.4	0.5	0.6	0.7	29.3	33.3	37.2	40.5	0.00	0.00	0.00	0.00	---	0.03	0.04	0.05	--	4	3	3
ROT/AVG	\$721	\$1,006	\$1,212	\$1,321	29.9	33.4	38.4	41.1	\$0.08	\$0.10	\$0.11	\$0.12	\$0.12	\$0.14	\$0.17	\$0.18	69X	73X	69X	67X

^a Weather Channel rates are based on DMA location, not size of system, which skews rate card discount analysis. ^b Discounts may apply for carriage of multiple Turner services. ^c Discounts may apply for carriage of multiple MTV Networks services. ^d Figure is adjusted downward from A.C. Nielsen counts, which include illegal hookups and multiple-dwelling units.

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